

SOUTHERN IOWA COUNCIL OF GOVERNMENTS
CRESTON, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2020

Table of Contents

	Page
Officials	3
Independent Auditor's Report	5-7
Management's Discussion and Analysis	8-13
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position	A 15
Statement of Activities	B 16
Governmental Fund Financial Statements:	
Balance Sheet	C 17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D 18
Statement of Revenues, Expenditures and Changes in Fund Balances	E 19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 20
Notes to Financial Statements	21-33
Required Supplementary Information:	
Schedule of the Government's Proportionate Share of the Net Pension Liability	35
Schedule of Government Contributions	36
Notes to Required Supplementary Information - Pension Liability	37
Supplementary Information:	<u>Schedule</u>
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	1 39
Schedule of Expenditures of Federal Awards	2 40-41
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	42-43
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	44-45
Schedule of Findings and Questioned Costs	46-50

Southern Iowa Council of Governments

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Dan Christensen	Chair	Decatur County
John Twombly	Vice-Chair	Adair County
Karen Zabel	Secretary	City of Lenox
Ron Riley	Treasurer	Union County
Doug Birt	Member	Adams County
Lyle Minnick	Member	Ringgold County
Marvin McCann	Member	Clarke County
Diane Fitch	Member	Madison County
Doug Davidson	Member	Private Interest
William Trickey	Member	Private Interest
Tom Leners	Member	Private Interest
Beth Waddle	Member	Private Interest
Tom Lesan	Member	Member-At-large
Timothy Ostroski	Executive Director	

Southern Iowa Council of Governments



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors of
Southern Iowa Council of Governments:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Southern Iowa Council of Governments (Government), Creston, Iowa, as of and for the year ended September 30, 2020, and the related Notes to Financial Statements, which collectively comprise the Government's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Government's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Basis for Qualified Opinion on the Governmental Activities

The Government's financial statements reports activity for GASB 68: Accounting and Financial reporting for Pensions – an amendment of GASB Statement No. 27 using a measurement date of June 30, 2019 for the year ended September 30, 2020, to account for their portion of the costs related to the Iowa Public Employees' Retirement System (IPERS), a cost-sharing multiple-employer defined pension plan in which the Government participates. Based on the measurement dates, the Government shows a net pension liability, deferred outflows of resources, and deferred inflows of resources of \$303,091, \$95,172, and \$51,810, respectively, on the Statement of Net Position at September 30, 2020. The related pension expense of \$54,226 is included in the Statement of Activities for the year ended September 30, 2020. The aforementioned standard requires use of a measurement date no earlier than twelve months from the reporting date. The plan information used by the Government was the most up-to-date information provided by the plan, but is not within the timeframe required by the standard. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Government's net liability, deferred outflows of resources, and deferred inflows of resources with IPERS as of September 30, 2020 and the net pension expense associated with IPERS for the year then ended because the plan information was not available. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion on the Governmental Activities

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Government as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Government as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the Government's Proportionate Share of the Net Pension Liability and the Schedule of Government Contributions on pages 8 through 13 and 35 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Government's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for five years ended September 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 2, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 17, 2021 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Government's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Government's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Faller, Kincheloe & Co., PLC", is written in a cursive style.

Faller, Kincheloe & Co., PLC

February 17, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Southern Iowa Council of Governments (Government) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended September 30, 2020. We encourage readers to consider this information in conjunction with the Government's financial statements, which follow:

2020 FINANCIAL HIGHLIGHTS

- Revenues of the Government increased from \$646,110 in fiscal year 2019 to \$1,028,020 in fiscal year 2020, and expenditures increased from \$804,017 in fiscal year 2019 to \$1,283,356 in fiscal year 2020. The Government's fund balance decreased from \$2,582,672 at the end of fiscal year 2019 to \$2,327,336 at the end of fiscal year 2020.
- The fiscal year 2020 revenue and expenditures increase was the result of increased activity from the housing rehabilitation projects undertaken by multiple communities in the Government's region.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Government's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Government as a whole and represent an overall view of the Government's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Government's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information presents the Government's proportionate share of the net pension liability and related contributions.

The Supplementary Information includes the Schedule of Expenditures of Federal Awards which provides details of various federal programs benefiting the Government.

REPORTING THE GOVERNMENT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the Government as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the Government's net position and how it has changed. Net position – the difference between the Government's assets and liabilities – is one way to measure the Government's financial health or financial position. Over time, increases or decreases in the Government's net position is an indicator of whether financial position is improving or deteriorating. To assess the Government's overall health, additional non-financial factors, such as changes in the Government's members and the condition of equipment, need to be considered.

In the government-wide financial statements, the Government's activities are categorized as governmental activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Government's funds, focusing on its most significant or "major" funds – not the Government as a whole. Funds are accounting devices the Government uses to keep track of specific sources of funding and spending on particular programs.

The Government has one kind of fund, as follows:

Governmental funds: Most of the Government's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Government's programs.

The Government's governmental funds include the General Fund and the Southern Iowa Development Group, Inc. Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of the Government's net position at September 30, 2020 compared to September 30, 2019.

Condensed Statement of Net Position (Expressed in Thousands)			
	September 30,		Total Change
	2020	2019	September 30, 2019-2020
Current and other assets	\$ 2,677	2,815	-4.90%
Capital assets	92	60	53.33%
Total assets	2,769	2,875	-3.69%
Deferred outflows of resources	95	110	-13.64%
Long-term liabilities	408	355	14.93%
Other liabilities	77	17	352.94%
Total liabilities	485	372	30.38%
Deferred inflows of resources	52	30	73.33%
Net position:			
Net investment in capital assets	92	60	53.33%
Restricted	1,230	1,043	17.93%
Unrestricted	1,005	1,480	-32.09%
Total net position	\$ 2,327	2,583	-9.91%

The Government's net position decreased by 9.91% or approximately \$256,000 from the prior year.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The Government's restricted net position increased approximately \$187,000, or 17.93% over the prior year.

Unrestricted net position – the part of net position that can be used to finance day to day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased approximately \$475,000 or 32.09% under the prior year.

The following shows the changes in net position for the year ended September 30, 2020 compared to the year ended September 30, 2019.

Changes in Net Position			
Expressed in Thousands)			
	2020	2019	Total Change 2019-2020
Revenues:			
Program revenues:			
Charges for service	\$ 311	99	214.14%
Operating grants, contributions and restricted interest	239	184	29.89%
Capital grants, contributions and restricted interest	305	224	36.16%
General revenues:			
Unrestricted investment earnings	35	57	-38.60%
Local dues	73	75	-2.67%
Miscellaneous	64	7	814.29%
Total revenues	1,027	646	58.98%
Program expenses:			
Community and economic development	1,283	804	59.58%
Total expenses	1,283	804	59.58%
Change in net position	(256)	(158)	62.03%
Net position beginning of year	2,583	2,741	-5.76%
Net position end of year	\$ 2,327	2,583	-9.91%

As shown above, the Government as a whole experienced a 58.98% increase in revenues and a 59.58% increase in expenses. The increase in revenues was primarily due to an increase in monies received from various communities for housing rehab projects. The increase in expenses was primarily due to an increase in costs associated for housing rehab projects in communities in the Government's region.

Governmental Activities

Revenues for governmental activities were \$1,028,020 and expenses were \$1,283,356 for the year ended September 30, 2020. The total cost of services were \$1,283,356 in fiscal year 2020 and \$804,017 in fiscal year 2019, an increase of 60%.

For the year ended September 30, 2020:

- The cost financed by the users of the Government's programs was \$311,141.
- Federal and state governments and private businesses subsidized certain programs with grants and contributions totaling \$544,942.

- The net cost of governmental activities was financed with \$35,322 in unrestricted investment earnings, \$72,505 in local dues and \$64,110 in miscellaneous income.

The cost of all activities this year was \$1,283,356 compared to \$804,017 last year. These costs were primarily financed by those who directly benefited from the programs and grants and contributions from the federal and state government and from private businesses.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Government uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the Government as a whole is reflected in its governmental funds, as well. As the Government completed the year, its governmental funds reported combined fund balances of \$2,441,209, a decrease of \$214,445 from last year's ending fund balances of \$2,655,654.

Governmental Fund Highlights

- The General Fund balance decreased from \$473,039 to \$439,565. The Government attempts to keep this as stable as possible from year to year.
- The Southern Iowa Development Group, Inc. fund balance decreased from \$2,182,615 at the end of fiscal year 2019 to \$2,001,644 at the end of fiscal year 2020. This decrease is largely due to bad debt expense of \$157,138 incurred in fiscal year 2020.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2020, the Government had \$91,970 invested, net of accumulated depreciation, in buildings and equipment. This represents a net increase of 53.33% from last year. More detailed information about the Government's capital assets is presented in note 6 to the financial statements. Depreciation expense for the year was \$7,934.

The original cost of the Government's capital assets was \$214,606. The increase in capital assets is due to depreciation expense which was less than asset purchases during the fiscal year.

Long-Term Liabilities

At September 30, 2020, the Government had \$408,215 in total long-term liabilities outstanding. This represents a net increase of 14.93% from last year. The increase in long-term liabilities in fiscal year 2020 is due to an increase in the lines of credit as of September 30, 2020. More detailed information about the Government's long-term liabilities is presented in Note 7 to the financial statements.

The Government's long-term liabilities at September 30, 2020 consisted of compensated absences payable, lines of credit payable and net pension liability.

ECONOMIC FACTORS BEARING ON THE GOVERNMENT'S FUTURE

The Government's Executive Committee considered various factors when setting the fiscal year 2021 budget and fees that will be charged for agency activities. As a result of the CARES Act passed by the federal government, we were awarded an approximate \$1.9 million in federal funds to be used for planning purpose, to pay administrative costs, and to make business loans through the revolving loan fund. As a result, we anticipate that fiscal year 2021 will be very busy for the Government.

CONTACTING THE GOVERNMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Government's finances and to show the Government's accountability for the money it receives. If you have any questions or need additional financial information, please contact the Southern Iowa Council of Governments, 101 East Montgomery Street, Creston, Iowa 50801.

Basic Financial Statements

Statement of Net Position

September 30, 2020

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 1,639,919
Due from other governments	256,358
Prepaid insurance	9,188
Loans receivable, less allowance for loan losses	771,410
Capital assets (net of accumulated depreciation)	<u>91,970</u>
Total assets	<u>2,768,845</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>95,172</u>
Liabilities	
Accounts payable	60,059
Accrued expenses	16,597
Long - term liabilities:	
Portion due within one year:	
Compensated absences payable	40,680
Line of credit payable	64,444
Portion due after one year:	
Net pension liability	<u>303,091</u>
Total liabilities	<u>484,871</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>51,810</u>
Net Position	
Net investment in capital assets	91,970
Restricted for:	
Loan purposes	1,230,234
Unrestricted	<u>1,005,132</u>
Total net position	<u>\$ 2,327,336</u>

See notes to financial statements.

Southern Iowa Council of Governments

Exhibit B

Statement of Activities

Year ended September 30, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
	Expenses				Governmental Activities
Functions / Programs:					
Governmental activities:					
Community and economic development	\$ 1,283,356	311,141	239,507	305,435	(427,273)
Total	<u>\$ 1,283,356</u>	<u>311,141</u>	<u>239,507</u>	<u>305,435</u>	<u>(427,273)</u>
General Revenues:					
Unrestricted investment earnings					\$ 35,322
Local dues					72,505
Miscellaneous					<u>64,110</u>
Total general revenues					<u>171,937</u>
Change in net position					(255,336)
Net position beginning of year					<u>2,582,672</u>
Net position end of year					<u>\$ 2,327,336</u>

See notes to financial statements.

Balance Sheet
Governmental Funds

September 30, 2020

	Special Revenue		
	Southern Iowa Development Group, Inc.		
	General	Inc.	Total
Assets			
Cash and cash equivalents	\$ 365,216	1,274,703	1,639,919
Due from other governments	242,732	13,626	256,358
Prepaid insurance	9,188	-	9,188
Loans receivable, less allowance for loan losses	-	771,410	771,410
Due from other funds	44,469	-	44,469
Total assets	\$ 661,605	2,059,739	2,721,344
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 60,059	-	60,059
Accrued expenses	16,597	-	16,597
Due to other funds	-	44,469	44,469
Total liabilities	76,656	44,469	121,125
Deferred inflows of resources:			
Unavailable revenues:			
Other	145,384	13,626	159,010
Total deferred inflows of resources	145,384	13,626	159,010
Fund balances:			
Nonspendable:			
Loans receivable	-	771,410	771,410
Prepaid insurance	9,188	-	9,188
Restricted for:			
Loan purposes	-	1,230,234	1,230,234
Unassigned	430,377	-	430,377
Total fund balances	439,565	2,001,644	2,441,209
Total liabilities, deferred inflows of resources and fund balances	\$ 661,605	2,059,739	2,721,344

See notes to financial statements.

Southern Iowa Council of Governments

Exhibit D

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position

September 30, 2020

Total fund balances of governmental funds (page 17) **\$ 2,441,209**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 91,970

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 159,010

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 95,172	
Deferred inflows of resources	<u>(51,810)</u>	43,362

Long - term liabilities, including compensated absences payable, line of credit payable and net pension liability are not due and payable in the current period and, therefore, are not reported in the governmental funds. (408,215)

Net position of governmental activities (page 15) **\$ 2,327,336**

See notes to financial statements.

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year ended September 30, 2020

	Special Revenue	
	Southern Iowa Development Group, Inc.	
	General	Total
Revenues:		
Use of money and property:		
Rent	\$ 3,600	3,600
Interest income	1,077	35,322
	4,677	38,922
Charges for service:		
Loan origination fees	-	1,954
Contract administration	292,677	292,677
	292,677	294,631
Intergovernmental:		
Federal funds	169,407	169,407
Local funds	70,000	70,000
Memberships dues and fees	72,418	72,505
	311,825	311,912
Miscellaneous	365,945	366,045
Total revenues	975,124	1,011,510
Expenditures:		
Operating:		
Community and economic development:		
Personnel	397,709	397,709
Fringe benefits	126,320	126,320
Travel	3,281	3,281
Phone	2,590	2,590
Printing and postage	5,306	5,306
Office	5,740	5,740
Capital costs	40,514	40,514
Insurance	12,264	13,389
Contractual	451,827	510,650
Interest	2,796	2,796
Utilities	9,181	9,181
Bad debt	-	157,138
Miscellaneous	15,514	15,785
Total expenditures	1,073,042	1,290,399
Excess (deficiency) of revenues over (under) expenditures	(97,918)	(278,889)
Other financing sources (uses):		
Proceeds from line of credit	363,059	363,059
Payment on line of credit	(298,615)	(298,615)
Total other financing sources (uses):	64,444	64,444
Change in fund balances	(33,474)	(214,445)
Fund balances beginning of year	473,039	2,655,654
Fund balances end of year	\$ 439,565	2,441,209

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement of Activities

Year ended September 30, 2020

Net change in fund balances - total governmental funds (page 19) **\$ (214,445)**

*Amounts reported for governmental activities in the Statement of
Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 39,808	
Depreciation expense	<u>(7,934)</u>	31,874

Because some revenues will not be collected for several months after the year end, they are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds. 16,510

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances more less than repayments, as follows:

Issued	(363,059)	
Repaid	<u>298,615</u>	(64,444)

The Government IPERS contributions for the period from the measurement date to the balance sheet date are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 46,587

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(7,903)	
Pension expense	<u>(63,515)</u>	<u>(71,418)</u>

Change in net position of governmental activities (page 16) **\$ (255,336)**

See notes to financial statements.

Southern Iowa Council of Governments

Notes to Financial Statements

September 30, 2020

Note 1. Summary of Significant Accounting Policies

The Southern Iowa Council of Governments (Government) was created pursuant to Chapter 28H of the Iowa Code. The Government is a voluntary organization of counties and municipal corporations in the south-central and southwest Iowa region. All territory within eight identified counties (Adair, Adams, Clarke, Decatur, Madison, Ringgold, Taylor and Union) is designated to be the Government's region.

The Government is the recipient of several program grants. In addition, funds are received from local member governments to aid in the planning functions of the Government. In exchange for these member government contributions, the Government provides information, planning services, and technical assistance as well as coordinates the activities of these local governments with other local governments or grantor agencies. The Government functions as the comprehensive planning and review agency for the Government's region, and is available to assist member governments in any other manner that they may direct.

The financial statements of the Government have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Government has included all funds, agencies, boards, Governments and authorities. The Government has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Government are such that exclusion would cause the Government's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Government.

These financial statements present the Government (the primary government) and its component unit. The component unit discussed below is included in the Government's reporting entity because of the significance of its operational or financial relationship with the Government.

Blended Component Unit – The Southern Iowa Development Group, Inc. has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to provide loans to area businesses, individuals and governments. The Government's Executive Board is also the Board of Southern Iowa Development Group, Inc., and the Government can impose its will on Southern Iowa Development Group, Inc. In accordance with the criteria set forth by the Governmental Accounting Standards Board, the Southern Iowa Development Group Inc. meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the Government.

The Southern Iowa Development Group, Inc., is a non-profit organization exempt from income tax under Internal Revenue Code Section 501(c)(3) and a similar section of the Iowa income tax law which provide tax exemption for corporations organized and operated exclusively for religious, charitable or educational purposes. The Corporation is not classified as a private foundation by the Internal Revenue Service.

Accounting standards for income taxes, which apply to nonprofit corporations, prescribe a comprehensive model for how an organization measures, recognizes, presents, and discloses in its financial statements uncertain tax positions that the organization has taken or expects to take on its income tax returns. This includes positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. The Southern Iowa Development Group Inc.'s income tax filings are subject to audit by various taxing authorities. The Southern Iowa Development Group Inc.'s open audit periods are 2015 and beyond. In evaluating the Southern Iowa Development Group Inc.'s tax provisions and accruals, future taxable income, the reversal of temporary differences, interpretations, and tax planning strategies are considered. Management believes their estimates are appropriate based on current facts and circumstances.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the Government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are primarily supported by intergovernmental revenues and charges for services.

The Statement of Net Position presents the Government's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital improvements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major governmental funds are reported as separate columns in the fund financial statements.

The Government reports the following major governmental funds:

The General Fund is the general operating fund of the Government. All receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From this fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Southern Iowa Development Group, Inc. Fund is used to account for the revolving loan funds and lease revenues and expenditures. The Southern Iowa Development Group, Inc. is a blended component unit of the Government.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Government considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of the grant agreements, the Government funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Government's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Government's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents – The cash balances of most Government funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

Loans Receivable - Loans receivable are carried at the original loan amount less an estimate made for loan losses based on a review of all outstanding amounts on a yearly basis. Management determines the allowance for loan losses by identifying troubled loans and by using historical experience applied to an aging of loans. Loans receivable are written off when deemed uncollectible. Recoveries of loan receivables previously written off are recorded as income when received. The allowance for loan losses at September 30, 2020 was \$119,567 for the Southern Iowa Development Group, Inc.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the applicable governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair not adding to the value of the asset or materially extend the useful lives are not capitalized. Reportable capital assets are defined by the Government as assets with initial, individual cost in excess of \$500 and estimated useful lives in excess of two years.

Capital assets of the Government are depreciated using the straight line method over estimated useful lives of 3-39 years.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, differences between expected and actual experience, changes of assumptions, changes in proportion and differences between the contributions and the proportionate share of the contributions, and contributions from the Government after the measurement date but before the end of the Government's reporting period.

Compensated Absences – Government employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at September 30, 2020. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Long-Term Liabilities – In the government-wide financial statements other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of other receivables not collected within sixty days after year end.

Note 1. Summary of Significant Accounting Policies (continued)

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, differences between expected and actual experience and changes in proportion and differences between the contributions and the proportionate share of the contributions.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

- E. Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- F. Indirect Expense Allocation – Expenses relating to the administration of the Government in general are allocated to the specific program grants based upon actual time spent (salaries, benefits, etc.), or some other equitable basis depending upon the nature of the expenditure.
- G. Budgets and Budgetary Accounting – The budgetary comparison and related disclosures are not reported as Required Supplementary Information, since there is no legal requirement to adopt a budget.

Note 2. Cash and Cash Equivalents

Primary Government and Blended Component Unit:

The Government's deposits in banks at September 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Government is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers' acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts and warrants or improvement certificates of a drainage Government.

The Government had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statements No. 72.

Note 3. Due From Other Governments

Amounts shown as due from other governments of \$256,358 at September 30, 2020 consist of amounts due from other governments. Management believes all these amounts are collectible. Therefore, no allowance for doubtful accounts for accounts receivable was accrued at September 30, 2020.

Note 4. Due From and Due to Other Funds

The detail of the interfund receivables and payables at September 30, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Southern Iowa Development Group, Inc.	<u>\$ 44,469</u>

The above represents administrative reimbursements due the Government from Southern Iowa Development Group, Inc. as of September 30, 2020.

Note 5. Loans Receivable

Blended Component Unit:

The Southern Iowa Development Group, Inc. entered into an agreement with the Government to serve as sub-grantee for the three revolving loan fund grants. The loans are secured by various security agreements and are made to businesses in the eight county region. Loans are subject to guidelines provided by the federal granting agency and must stimulate the local economy and encourage job creation. The initial funds were provided through three different grants from the U.S. Department of Commerce, Economic Development Administration (EDA), supplemented by a minimum required local match from various sources. The EDA may terminate any grant whenever it is determined that the grantee has failed to comply with the conditions of the grant. The interest rates on these loans can not be less than the lower of 4%, or 75% of the prime interest rate, with no upper limit. However, due to the CARES Act passed by the federal government, the Government obtained a waiver from the Department of Commerce approving the modification that the minimum interest rate may be waived or reduced for the period through May 6, 2021. The current interest rates on the loans outstanding range from 2.63% - 4.00%. These loans are repayable monthly, and current loans range from a 60-300 month loan payback schedule. The number of months to payback the loans varies depending on the purpose of the loan proceeds. At September 30, 2020, the fund had a portfolio of loans totaling \$832,081, and a cash balance of \$725,456.

The Southern Iowa Development Group, Inc. has established a revolving loan fund with funds received in 1991 from the Iowa Finance Authority. These loans are made to individual first time homebuyers in the eight county region. A maximum payment of \$5,000 for first time homebuyers to be used for down payment will be made to qualified individuals. The loans carry a term of 7 years at 2% interest. The repayments of the loans are due monthly; however, the first principal and interest payment is deferred for the first 2 years. In addition, the borrower must provide a dollar for dollar match of their own money as a condition of receiving this loan. Until the loan balance is paid off, the Government holds either a first or second mortgage on the real estate. At September 30, 2020, the fund had a portfolio of loans totaling \$51,554, and a cash balance of \$368,216.

The Southern Iowa Development Group, Inc. has established a revolving loan fund with funds received in the 1990's from the U.S. Department of Agriculture (USDA). These loans are made to communities of under 2,500 people in the eight county region for costs associated for emergency repairs to community facilities. The loans are generally between \$5,000 and \$20,000, are generally at a 3% interest rate, are repayable over a 3 year period, with either monthly, quarterly, semi-annual or yearly payments. However, these repayment terms are reviewed on a case by case basis, and can be modified at any time. At September 30, 2020, the fund had a portfolio of one loan totaling \$7,342, and a cash balance of \$34,999.

At September 30, 2020, the combined loan balance of all of the above types of loans totaled \$890,977, net of a \$119,567 allowance for uncollectible accounts, resulting in a carrying value of \$771,410.

Note 6. Capital Assets

Capital assets activity for the year ended September 30, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Construction in progress	\$ -	37,120	-	37,120
Total capital assets not being depreciated	-	37,120	-	37,120
Capital assets being depreciated:				
Building and improvements	91,797	-	-	91,797
Equipment	83,001	2,688	-	85,689
Total capital assets being depreciated	174,798	2,688	-	177,486
Less accumulated depreciation				
Buildings and improvements	48,265	3,045	-	51,310
Equipment	66,437	4,889	-	71,326
Total accumulated depreciation	114,702	7,934	-	122,636
Total capital assets being depreciated, net	60,096	(5,246)	-	54,850
Capital assets, net	\$ 60,096	31,874	-	91,970

Depreciation expense for the year totaled \$7,934.

All of the capital assets are owned by the primary government. The blended component unit did not own any capital assets during the fiscal year.

Note 7. Long-Term Liabilities

Changes in long-term liabilities for the year ended September 30, 2020 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Compensated absences	\$ 32,777	40,680	32,777	40,680	40,680
Lines of credit	-	363,059	298,615	64,444	64,444
Net pension liability	322,198	-	19,107	303,091	-
Total	\$ 354,975	403,739	350,499	408,215	105,124

All of the long-term liabilities were incurred by the primary government. The blended component unit did not have any long-term liabilities during the fiscal year.

Note 7. Long-Term Liabilities (continued)

Lines of Credit

The Government obtained four different lines of credit, for a total of \$400,000. The funds from the lines of credits will be used to pay contractors performing housing rehabilitation work funded by a grant for the Cities of Bedford, Lamoni, Murray and Creston. Once the cities receive the grant reimbursement, the cities then reimburse the Government, and the Government then pays on the lines of credit. At September 30, 2020, the remaining balance owed on the theses line of credit totaled \$64,444. The interest rate on the lines of credit ranges from 4.25% to 5.75% per annum. The lines of credit maturity dates vary, but the final line of credit matures on May 21, 2021.

Note 8. Pension Plan

Plan Description - IPERS membership is mandatory for employees of the Government, except for those covered by another retirement system. Employees of the Government are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Note 8. Pension Plan (continued)

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

Pursuant to the required rates, Regular members contributed 6.29% of covered payroll and the Government contributed 9.44% of covered payroll for a total rate of 15.73%.

The Government's contributions to IPERS for the year ended September 30, 2020 totaled 37,285.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2020, the Government reported a liability of \$303,091 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Government's proportion of the net pension liability was based on the Government's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the Government's proportion was 0.0052341%, which was an increase of 0.000143% from its proportion measured as of June 30, 2018.

For the year ended September 30, 2020 the Government recognized pension expense of \$54,226. At September 30, 2020, the Government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 840	10,898
Changes of assumptions	32,465	-
Net difference between projected and actual earnings on IPERS' investments	-	34,155
Changes in proportion and differences between Government contributions and the Government's proportionate share of contributions	15,280	6,757
Government contributions subsequent to the measurement date	46,587	-
Total	\$ 95,172	51,810

Deferred outflows of resources related to pensions of \$46,587 represent the amount the Government contributed subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Note 8. Pension Plan (continued)

Year Ending September 30,	Amount
2021	\$ 8,878
2022	(5,635)
2023	(2,664)
2024	(3,729)
2025	(75)
	<u>\$ (3,225)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Note 8. Pension Plan (continued)

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	5.60 %
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Government will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the Government's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Government's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Government's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate.

1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
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Government's proportionate share of the net pension liability	\$ 583,192	303,091	105,891
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IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At September 30, 2020, the Government reported payables to IPERS of \$3,211 for legally required Government contributions and \$2,140 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

Note 9. Related Party Transactions

The Government had business transactions between the Government and the Southern Iowa COG - Housing Trust Fund totaling \$17,887 during the year ended September 30, 2020.

The Southern Iowa COG - Housing Trust Fund is a separate nonprofit organization. The Government provides administrative services to the Southern Iowa COG - Housing Trust Fund.

Note 10. Risk Management

The Government is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Government assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11. Commitments

As of September 30, 2020, the Government can borrow an additional \$335,556 from its Lines of Credit. Additional information about the Line of Credit is documented in Note 7 to the financial statements.

The Government received a grant of \$390,945 from the U.S. Department of Commerce through the CARES Act to be used for planning purposes. This grant is for the period from July 1, 2020 to June 30, 2022. As of September 30, 2020, the Government has not received any monies from the grant.

The Government and its blended component unit received a grant of \$1,529,007 from the U.S. Department of Commerce through the CARES Act to be used for revolving loan fund purposes and to pay administrative costs associated with this program. This grant is for the period from July 1, 2020 to June 30, 2022 and consists of \$1,420,000 for revolving fund loan purposes and \$109,007 for administrative costs. As of September 30, 2020, the Government has not received any monies or made any revolving fund loans from this grant.

Note 12. Contingency

The Government and the blended component unit participate in a number of Federal and State grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditures of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the Government or the component unit. The Government's and the blended component unit's management believes such revisions or disallowance, if any, will not be material to the Government or the blended component unit.

Note 13. COVID – 19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the Government, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the Government. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the Government's operations and finances.

Note 14. Subsequent Events

The Government has evaluated subsequent events through February 17, 2021, which is the date the financial statements were available to be issued.

Note 15. Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending September 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

Required Supplementary Information

Southern Iowa Council of Governments

Schedule of the Government's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Five Years*
(In Thousands)

Required Supplementary Information

	2019	2018	2017	2016	2015
Government's proportion of the net pension liability	0.005234%	0.005091%	0.004863%	0.005096%	0.004862%
Government's proportionate share of the net pension liability	\$ 303	322	324	321	240
Government's covered payroll	\$ 398	383	363	366	333
Government's proportionate share of the net pension liability as a percentage of its covered payroll	76.13%	84.07%	89.26%	87.70%	72.05%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

Southern Iowa Council of Governments

Schedule of Government Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Required Supplementary Information

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 37	37	36	33	32	31	33	31	29	23
Contributions in relation to the statutorily required contribution	(37)	(37)	(36)	(33)	(32)	(31)	(33)	(31)	(29)	(23)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
Government's covered payroll	\$ 392	391	395	373	354	350	370	355	353	318
Contributions as a percentage of covered payroll	9.44%	9.44%	9.11%	8.93%	8.93%	8.93%	8.93%	8.74%	8.22%	7.23%

See accompanying independent auditor's report.

Southern Iowa Council of Governments

Notes to Required Supplementary Information – Pension Liability

Year ended September 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

Schedule of Revenues by Source and Expenditures by Function -
All Governmental Funds

For the Last Six Years

	Modified Accrual Basis					
	2020	2019	2018	2017	2016	2015
Revenues:						
Use of money and property	\$ 38,922	56,943	41,828	61,010	29,280	30,772
Charges for service	294,631	165,415	343,857	245,281	178,175	396,952
Intergovernmental	311,912	258,707	718,918	773,745	3,893,787	5,670,074
Miscellaneous	366,045	231,145	763,056	169,889	440,758	299,314
Total	<u>\$ 1,011,510</u>	<u>712,210</u>	<u>1,867,659</u>	<u>1,249,925</u>	<u>4,542,000</u>	<u>6,397,112</u>
Expenditures:						
Operating:						
Community and economic development	\$ 1,290,399	844,212	1,902,938	1,206,982	4,514,503	6,631,791
	<u>\$ 1,290,399</u>	<u>844,212</u>	<u>1,902,938</u>	<u>1,206,982</u>	<u>4,514,503</u>	<u>6,631,791</u>

See accompanying independent auditor's report.

Southern Iowa Council of Governments

Schedule 2

Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Direct:			
U.S. Department of Commerce:			
Economic Development Administration:			
Economic Development - Support for Planning Organizations	11.302	ED16DEN3020045	\$ 65,238
COVID-19 Economic Adjustment Assistance	11.307	ED20DEN3070044	3,733
Economic Adjustment Assistance	11.307	53902265	659,569
Economic Adjustment Assistance	11.307	5390226501	207,276
Economic Adjustment Assistance	11.307	57904736	450,513
COVID-19 Economic Adjustment Assistance	11.307	27909554	13,626
			<u>1,334,717</u>
Total direct			<u>1,399,955</u>
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	21-RPA-14	9,321
Highway Planning and Construction	20.205	20-RPA-14	36,425
			<u>45,746</u>
Formula Grants For Rural Areas	20.509	21-RPA-14	3,686
Formula Grants For Rural Areas	20.509	20-RPA-14	15,117
			<u>18,803</u>
Total indirect			<u>64,549</u>
Total			<u>\$ 1,464,504</u>

See accompanying independent auditor's report.

Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

Computation of CFDA Number 11.307 - Economic Adjustment Assistance

	Grant Number			
	5392265	539226501	57904736	57909554
Balance of loans outstanding at September 30, 2020	\$ 568,962	112,490	150,628	-
Cash and Investment balance at September 30, 2020	323,408	156,844	245,204	-
Administrative expenses paid out in fiscal year	14,503	7,034	10,996	13,626
Unpaid principal of loans written off during the fiscal year	-	-	94,132	-
Total	906,873	276,368	500,960	13,626
Federal percentage	72.73%	75.00%	89.93%	100.00%
Amount included on Schedule of Expenditures of Federal Awards	\$ 659,569	207,276	450,513	13,626

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the Southern Iowa Council of Governments under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Southern Iowa Council of Governments, it is not intended to and does not present the financial position, changes in financial position or cash flows of the Southern Iowa Council of Governments.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting, except for revolving loan fund transactions (Economic Adjustment Assistance, CFDA 11.307), as explained above. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate - The Southern Iowa Council of Governments has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Directors of
Southern Iowa Council of Governments:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Southern Iowa Council of Governments (Government) as of and for the year ended September 30, 2020, and the related Notes to Financial Statements, which collectively comprise the Government's basic financial statements, and have issued our report thereon dated February 17, 2021. Our report expressed unmodified opinions on the financial statements of each major fund, which were prepared in accordance with U.S. generally accepted accounting principles. Our report expressed a qualified opinion on the governmental activities as a result of the Government using a measurement date longer than twelve months from the reporting date in relation to the Iowa Public Employees' Retirement System, a cost-sharing multiple-employer defined pension plan in which the Government participates.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Government's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control. Accordingly, we do not express an opinion on the effectiveness of the Government's internal control.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Government's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item II-A-20 we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Government's operations for the year ended September 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Government. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Government's Responses to Findings

The Government's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Government's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Government's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Government's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Government during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Faller, Kincheloe & Co., PLC

February 17, 2021



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Board of Directors of
Southern Iowa Council of Governments:

Report on Compliance for Each Major Federal Program

We have audited the Southern Iowa Council of Government's (Government) compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Government's major federal program for the year ended September 30, 2020. The Government's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Government's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Government's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Government's compliance.

Opinion on the Major Federal Program

In our opinion, the Government complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

Report on Internal Control Over Compliance

The management of the Government is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Government's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Government's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-20 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-20 to be a significant deficiency.

The Government's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Government's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Faller, Kincheloe & Co., PLC

February 17, 2021

Southern Iowa Council of Governments
Schedule of Findings and Questioned Costs
Year ended September 30, 2020

Part I: Summary of the Independent Auditor's Results:

- (a) A qualified opinion was issued on the governmental activities financial statements and unmodified opinions were issued on each major fund financial statements, which were prepared in accordance with U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency and a material weakness in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was CFDA Number 11.307 – Economic Adjustment Assistance.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Southern Iowa Council of Governments did not qualify as a low-risk auditee.

Southern Iowa Council of Governments
Schedule of Findings and Questioned Costs
Year ended September 30, 2020

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-20 Material Adjustments

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the Southern Iowa Council of Governments (Government) financial statements.

Condition – Material adjustments were made to assets, liabilities, revenues and expenditures balances and accounts as of September 30, 2020 and for the fiscal year ending September 30, 2020.

Cause – Due to the technical nature of the adjustments, such as the pension assets and liabilities, the Government relies on the independent auditor for assistance with these types of items.

Effect – The effect of this condition is that the year-end financial adjustments are prepared by a party outside of the Government. The outside party does not have the constant contact with ongoing financial transactions.

Recommendation – The Government should establish procedures to ensure all transactions are properly recorded and reported in the Government's financial statements.

Response – Due to the technical nature of the adjustments, we will work closely with our hired independent auditor to ensure all transactions are properly recorded and reported in SICOG's financial statements.

Conclusion – Response acknowledged.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Southern Iowa Council of Governments
Schedule of Findings and Questioned Costs
Year ended September 30, 2020

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 11.307: Economic Adjustment Assistance
Federal Award Year: 1987, 1994, 2009 and 2020
U.S. Department of Commerce
Passed through the Economic Development Administration (EDA)

III-A-20
(2020-001)

Economic Adjustment Assistance Grant

Criteria – The Economic Development Administration (EDA) requires that annual or semi-annual financial reports (ED-209 Form) be filed with the EDA. The EDA requires that these reports be properly documented and supported.

Condition - Our review of the semi-annual reports filed with the EDA document amounts on these reports which could not be supported by the accounting records of the Southern Iowa Development Group, Inc.

Cause – Procedures have not been designed and implemented to ensure amounts reported on the semi-annual reports filed with the EDA are properly supported and documented.

Effect – The EDA may require the Southern Iowa Development Group, Inc. to determine why these differences exist. This issue could also negatively affect the perception the EDA has on the Southern Iowa Development Group, Inc.

Recommendation – The Southern Iowa Development Group, Inc. should implement procedures to ensure the amounts reported on the semi-annual reports filed with the EDA are supported by the accounting records of the Southern Iowa Development Group, Inc.

Response and Corrective Action Planned – In relation to the semi-annual reports filed with the EDA, the numbers in question are calculated by the EDA computer program, and we do not know how the EDA came up with them. In the future, we will attempt to ensure that the numbers on these semi-annual reports agree to the accounting records of the Southern Iowa Development Group, Inc.

Conclusion – Response acknowledged.

III-B-20
(2020-002)

Loan Requirements

Criteria – The EDA requires the Southern Iowa Development Group, Inc. to obtain and maintain certain documentation from borrowers in relation to loans made by them.

Condition - The Southern Iowa Development Group, Inc. made loans even though some of the required loan documents were not obtained from the recipients. Specifically, for part of the year, in two instances it was noted that the Southern Iowa Development Group, Inc. did not obtain key man life insurance, even though this was required by the terms of the loans.

Southern Iowa Council of Governments
Schedule of Findings and Questioned Costs
Year ended September 30, 2020

Cause – Procedures have not been designed to ensure required loan documentation is received prior to the closing of the loans.

Effect – Due to the failure to follow procedures, the Southern Iowa Development Group, Inc. may be out of compliance with its internal requirements and with the EDA requirements.

Recommendation – The Southern Iowa Development Group, Inc. should ensure all loan requirements are followed in the future.

Response and Corrective Action Planned – As of September 30, 2020, this is no longer an issue. In the future, we will ensure compliance with these provisions on future loans we make.

Conclusion – Response acknowledged.

Southern Iowa Council of Governments
Schedule of Findings and Questioned Costs
Year ended September 30, 2020

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-20 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-B-20 Travel Expense – No expenditures of Southern Iowa Council of Governments (Government) money for travel expenses of spouses of Government officials or employees were noted.

IV-C-20 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not, except that the Government does not publish its minutes or the schedule of bills allowed, as required by Chapter 28E of the Code of Iowa.

Recommendation – The Government should ensure that the minutes and schedule of bills allowed are published in the newspaper as required by the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

IV-D-20 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Government’s investment policy were noted.

IV-E-20 Business Transactions – No business transactions between the Government and Government officials or employees were noted.

IV-F-20 Restricted Donor Activity – No transactions were noted between the Government, Government officials, Government employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

IV-G-20 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Government to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. For part of the fiscal year, the Government did not receive an image of the back of each cancelled check.

Recommendation – The Government should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.